This single chapter on the investment climate is excerpted from the 2004 (September 2004 Update) Country Commercial Guide for Jordan. The full text of the report is also available on this website.

CHAPTER 7. INVESTMENT CLIMATE

Openness to Foreign Investment

Since King Abdullah II succeeded to the throne in 1999, Jordan has taken steps to encourage foreign investment. Key reforms have been undertaken in the information technology, tourism, and services sectors. Foreign and domestic investment laws grant specific incentives to industry, agriculture, hotels, hospitals, maritime and rail transportation, leisure and recreation projects, convention and exhibition centers, transportation and distribution of water, gas, and oil/oil derivatives using pipelines were added to this list. The laws also allow the cabinet flexibility in offering investment incentives to other sectors. Jordan acceded to the World Trade Organization (WTO) in April 2000. In addition, a U.S.-Jordan Free Trade Agreement (FTA) entered into force on December 17, 2001. In May 2001, the government converted the Aqaba port and surrounding area into a special economic zone (SEZ) offering special incentives to investors (see below). The government is revamping the investment promotion system in Jordan. It is re-examining investment incentives, and is considering the consolidation of all investment promotion activities under a new "Jordanian agency for economic development (JAED)". These developments will likely lead to expanded investment opportunities in Jordan for U.S. investors. Jordan's investment laws treat foreign and local investors equally, with the following exceptions (as per regulation no. 54 of 2000, entitled "Non Jordanian Investments Promotion Regulation"):

- Foreign investors may not own more than 50 percent of projects in:
    - Construction and contracting
    - Wholesale and retail trade
    - Transport (maritime, air and train transport) and auxiliary services
    - Wastewater treatment
    - Food services
    - Travel agent services
    - Import and export services
    - Advertising services
    - A number of business-related and commercial services

- Under the terms of the U.S.-Jordan FTA, foreign investors are limited to 60 percent ownership in publishing and in aircraft maintenance and repair services.

- Foreign investors may not have whole or partial ownership of:
    - Investigation and security services
    - Sports clubs (except for health clubs)
    - Stone quarrying for construction purposes
    - Customs clearance services
    - Land transportation of passengers and cargo using trucks, buses and taxis

A minimum capital requirement of JD 50,000 (US $ 70,000) is set for foreign investors. This requirement does not apply to participation in public shareholding companies. There is no formal screening or host government selection process for foreign investment. However, investors in large projects find that the informal approval of local and central government officials helps to ensure governmental cooperation in project implementation.

The law stipulates that expropriation is prohibited unless deemed in the public interest. It provides for fair compensation to the investor in convertible currency.

The government plans to accelerate and broaden the privation program. As regards the power sector, the Jordanian Government has created separate generation, transmission, and distribution companies (CEGCO, IDCECO and EDCO) and has established an effective regulatory body for the industry. A new electricity law has been passed paving the way for the privatization of the sector through a new regulatory and tariff regime.

The GOJ sold its remaining 14.3% stake of the Jordan Cement Factories Company to the social security corporation in February 2002. 10.5% of Jordan Telecom shares were sold by the GOJ via an initial public offering (IPO) in October 2002. In October 2003, the GOJ sold half of its 52% stake in the Arab Potash Company to a strategic Canadian partner.

In addition, the government continues to seek a strategic foreign partner to buy up to a 49 percent stake of Royal Jordanian (RJ) Airline's operating division. RJ's engine overhaul facility and aircraft maintenance division are also for sale.

Jordan has also announced that it intends to sell a majority stake as well as management control in the Jordan Phosphate Mines Company. A management contract for the handling of the container terminal in the port of Aqaba was signed with a Dutch company in March 2004. An international consortium has arranged to develop a 370 km gas-pipeline from Aqaba to Zarqa on a BOO basis.

The postal service has been transformed into a public shareholding company pending its eventual privatization. Jordan aims to earn $420 million from privatization proceeds in 2004.

While these efforts have combined to make Jordan's investment climate more welcoming, some large U.S. Investors reported "hidden costs" when investing in Jordan due to bureaucracy, red tape, vague regulations and conflicting jurisdictions. Investors should execute due diligence in exploring investment opportunities and concluding purchases.

Conversion and Transfer Policies

Jordan's liberal foreign exchange law entitles foreign investors to remit abroad, in a fully convertible foreign currency, foreign capital invested, including all returns, profits, and proceeds arising from the liquidation of investment projects. Non-Jordanian administrative and technical employees are permitted to transfer their salaries and compensation abroad.

The Jordanian Dinar is fully convertible for all commercial and capital transactions. The JD is pegged to the U.S. dollar at an exchange rate of approximately 1 JD to USD 1.41.

Licensed money-exchangers are supervised by the central bank, but are free to set their own exchange rates depending on market conditions. Unlike banks, they do not pay the central bank commissions for exchange transactions, giving them a competitive edge over banks.

Other foreign exchange regulations include:

- Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the central bank.
- Banks are permitted to purchase an unlimited amount of foreign currency from their clients in exchange for JD on a forward basis. Banks are permitted to engage in reverse operations involving the selling of foreign currency in exchange for JD on a forward deal basis for the purpose of covering the value of imports.
- There are no restrictions on the amount of foreign currency that residents may hold in bank accounts, and there are no ceilings on the amount residents are permitted to transfer abroad.
- Banks do not require prior central bank approval for the transfer of funds, including investment-related transfers.

Expropriations and Compensation

There are no known cases where the government has expropriated the private property of an investor.

Dispute Settlement

Under Jordanian law, foreign investors may seek third party arbitration or an internationally recognized settlement of disputes. The Jordanian government recognizes decisions issued by the International Center for the Settlement of Investment Disputes (JCSID), of which it is a member. Jordan is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. In cases where the government (or its agencies) is a party to the dispute, it generally prefers settlement in local courts if an out-of-court settlement is not forthcoming. Jordan abides by WTO dispute settlement mechanisms. Dispute settlement mechanisms under the FTA are consistent with WTO commitments. Article IX of the Bilateral Investment Treaty (BIT), establishes procedures for dispute settlement.

There is currently one outstanding dispute between a U.S. investor and the Jordanian government. The dispute is currently before an ICSID tribunal and with a Jordanian Appellate Court.

Jordan's Legal System

In the legislative process, draft laws are prepared by various ministries, which are then submitted to the cabinet and subsequently presented to the lower house of parliament for consideration. Once passed by the lower house, draft laws must be approved by the Senate. All laws require royal assent and must be published in the National Gazette before they come into force.

According to the constitution, the judiciary is independent of other branches of the government. In some cases, it is susceptible to political pressure and interference by the executive.

The constitution classifies the judiciary into three categories: religious courts, special courts (e.g. Military court, Customs court, Income Tax Court) and regular courts. Verdicts rendered by the Jordanian judiciary are based on decisions made by a judge or a panel of judges.

General legal provisions are incorporated within the Civil Code, unless a separate, more specialized law governs the nature of the specific relationship.

Commercial activities are governed by the commercial code. Business contracts, such as commercial agency and commission agency contracts, are subject to the code's provisions. Financial papers such as checks and promissory notes are also dealt with under the commercial code.

Various provisions in the Commercial Code, the Civil Code, and the Companies Law govern bankruptcy and insolvency. A draft bankruptcy law has been approved by the cabinet and came into force in 2002.

Performance Requirements/Incentives

Following Jordan's accession to the WTO, The Trade-Related Investment Measures (TRIMS) agreement came into force. Investment and commercial laws do not contain any trade-restrictive investment measures and have generally been in compliance with TRIMS.

Investment incentives take the form of income tax and custom-duties exemptions, which are granted to both Jordanian and foreign investors.

The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of exemptions.

However, all agricultural, maritime transport, and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects set up along the Dead Sea coastal area, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations. Qualified industrial zones (QIZS) are considered Zone B projects unless they physically in Zone C. The three-zone classification scheme does not apply to nature reserves and environmental protection areas, which are granted special consideration.

Specifically, the Investment Promotion Law allows:

- Exemptions from income and social services taxes of up to ten years for projects approved by the Investment Promotion Committee (which includes senior officials from the Ministry of Industry and Trade, Income Tax Department, Customs Department, the private sector, and the Director General of the Jordan Investment Board), in accordance with the designated zone scheme:

    - 25 percent tax exemption for Zone A
    - 50 percent tax exemptions for Zone B
    - 75 percent tax exemptions for Zone C

An additional year of these tax exemptions is granted to projects each time they undergo expansion, modernization, or development resulting in a 25 percent increase in their production capacity for a maximum of four years.

- Capital goods are exempt from duties and taxes if delivered within three years from the date of the investment promotion committee's approval. The committee may extend the three-year period if necessary.

- Imported spare parts related to a specific project are exempt from duties and taxes, provided that their value does not exceed 15 percent of the value of fixed assets requiring spare parts. They should be imported within ten years from the production date.

- Capital goods used for expansion and modernization of a project are exempt from duties and taxes, provided they result in at least a 25 percent increase in production capacity.

- Hotel and hospital projects receive exemptions from duties and taxes on furniture and supply purchases, which are required for modernization and renewal once every seven years.

- Increases in the value of imported capital goods are exempt from duties and taxes if the increases result from higher freight charges or changes in the exchange rate.

- In addition to the Investment Promotion Law, additional exemptions are granted to investments within industrial estates designated as Special Industrial Zones.

- Industrial projects are granted exemptions on income and social services taxes for a two-year period. Established industrial facilities that relocate to an industrial estate also receive this benefit.

- Industrial projects are granted property tax exemptions throughout their lifetime.

- Industrial projects are granted partial or full exemptions from most municipality and planning fees.

To promote exports, all exporters are granted the following incentives:

- Net profits generated from most export revenues are fully exempt from income tax. Exceptions include fertilizer, phosphate, and potash exports, in addition to exports governed by specific trade protocols and foreign debt repayment schemes. Under the WTO such exemptions were supposed to be phased out by the end of 2002, but the government is seeking a two-year extension.

- Foreign inputs used in the production of exports are exempt from custom duties and all additional import fees on a reimbursable or drawback basis.

Foreign investors can bid for government-commissioned research and development programs that are slated for international or mixed bidders. Otherwise, they have to find a Jordanian partner. This qualification will be dropped once Jordan accedes to the WTO'S government procurement agreement (GPA), for which it is currently preparing an entities offer.

Right to Private Ownership and Establishment

In general, the laws on investment and property ownership permit domestic and foreign entities to establish and own businesses and engage in remunerative activities. However, activities relevant to military and national security are subject to different provisions and procedures.

Foreign companies may open representative (regional) and branch offices; branch offices may carry out full business activities, while regional offices may serve as liaisons between head offices and Jordanian or regional clients. The Ministry of Industry and Trade manages the government's policy on setting up regional and branch offices.

No foreign firm may import goods without appointing an agent registered in Jordan. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. In mid 2001, a Commercial Agents and Intermediaries Law was passed to govern the contract between foreign firms and commercial agents. It clearly delineates the distinction between commercial agency and distribution contracts relationships. Private foreign entities, whether licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

Non-Arab foreign nationals are permitted to own or lease property in Jordan, provided that their home country does not discriminate against Jordanians and the property is developed within five years from the date of approval. The Cabinet is the authority on licensing foreign ownership of land and property. Agricultural land is not included in the provisions of this law. However, a foreign company that invests in the agricultural sector in Jordan automatically obtains national treatment with respect to ownership of agricultural land, once registered as a Jordanian company.

Protection of Property Rights

Interest in property (moveable and real) is recognized, enforced and recorded through reliable legal processes. The legal system facilitates and protects the acquisition and disposition of all property rights. Prior to its accession to the WTO, Jordan passed several new laws to improve protection of intellectual property rights (IPR), patents, copyrights, and trademarks. TRIPS (Trade Related Aspects of Intellectual Property Rights)-consistent laws now protect trade secrets, plant varieties and semiconductor chip designs. The law requires registration of copyrights, patents and trademarks. Copyrights must be registered at the National Library, part of the Ministry of Industry and Trade. Patents must be registered with the Registrar of Patents and trademarks at the Ministry of Industry and Trade. Jordan committed to acceding to the Patent Cooperation Treaty and to the protocol relating to the Madrid Agreement Concerning the Registration of Marks by the end of 2004.

Jordan's pharmaceutical industry generally abides by the new TRIPS-consistent Patent Law. In addition, in signing the FTA Jordan committed to even stronger enforcement of IPR, particularly in the pharmaceutical sector. It acceded to the World Intellectual Property Organization (WIPO) treaties on copyrights (WCT) and performances and phonographs (WPPT). Jordanian firms are now seeking joint ventures and licensing agreements with multinational partners.

Jordan's record on IPR enforcement has improved. However, effective enforcement mechanisms and legal procedures are still not completed and are in need for further refinement. As a result, the government's record on IPR protection remains mixed. A sizeable proportion of videos and software sold in the marketplace continues to be pirated. Enforcement action against audio/video and software piracy is improving, but remains spotty.

Transparency of the Regulatory System

The government is slowly implementing policies to improve competition and foster transparency. These reforms aim to change an existing system that can be influenced greatly by family affiliations and business ties. Although in many instances bureaucratic procedures have been streamlined, red tape and opaque procedures still present problems for foreign and domestic investors. The arbitrary application of customs, tax, labor, health and other laws or regulations, particularly at the level of local government, have impeded investment.

In 2003, the government continued its aggressive strategy to promote e-government. The government has pledged to make its services, regulations, and procurement procedures more accessible and transparent via e-government.

Efficient Capital Markets and Portfolio Investment

Jordan's capital market capitalization is approximately $ 7 billion (around 80 percent of GDP). Major restructuring of the market was completed in 2000.

The Amman Financial Market (AFM) is divided among the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC). The SDC is the custodian for all transaction contracts, clearing and settlement. The JSC was established as the government's supervisory and monitoring agency for the capital market in Jordan. The government is working on further amendments to the Securities Law that will bring it more in line with international best practices. There are 31 brokerage firms and 161 listed public-shareholding companies on the ASE. 40 percent of ownership is by non-Jordanian, mostly Arab investors. Despite significant progress over the past five years, more reform is needed to establish a market with adequate legal, regulatory, and best practices norms.

The ASE also suffers from intermittent liquidity problems, which have ensured that the bourse remains prone to speculative movements. Structural problems (such as lack of transparency and corporate governance and the dearth of mutual funds) have been exacerbated by the insufficiency of institutional buying and wavering investor confidence.

The Central Bank, on behalf of the Ministry of Finance, conducts regular auctions of six-month treasury bills and three-year treasury bonds. Treasury bonds and bills and development bonds (equivalent to Treasury Bonds) are listed on the ASE. Monthly trading volume averages JD 600,000 ($ 840,000) at face value. Despite this low volume, markets are actively quoted on development bonds each trading day. These quotes provide the basis for the benchmark yield curve published daily on the Central Bank Reuters pages and in the local Arabic newspapers. The Ministry of Finance has been issuing bonds of differing maturities since 2002, lengthening the yield curve. The Central Bank also introduced a primary dealer plan designed to increase liquidity in the secondary market, though the program has to this point been unsuccessful in achieving this goal. A new Public Debt Law that allows for an increase in the volume of bond and bill issuance by the Treasury came into force in summer 2001.

Government bond and bill ownership is registered in book-entry form at the Central Bank. Commercial banks maintain sub-registries. Foreign investors are welcome to participate in auctions and to purchase government securities.

The corporate bond market remains under-developed, and continues to be over-shadowed by traditional direct lending. One reason is rigid interest rates; another relates to the absence of a secondary market for such issues. Increasingly, however, some banks have started introducing new products and corporate bond issues. New bond issues for 2003 and 2002 were JD 57.5 million (US $81 million) and JD 170 million (US $239.4 million), respectively.

One flaw in the credit market is the lack of long-term credit, owing to the short-term nature of banks' deposit structure. On average, regular corporate loans are extended for periods of 1-3 years, while syndicated loans may reach up to 7 years. Long-term financing has also been stymied by the Ottoman-era law stipulating that total interest payments over the life of a bond may not be greater than the principal amount. This effectively impeded the development of longer-maturity fixed-income instruments, even though it was not effectively enforced. The new Public Debt law has scrapped this requirement, allowing for longer maturities and increased volumes.

The absence of long-term credit discourages projects requiring long development periods. As a consequence, large investment projects often resort to foreign markets to raise capital.

The Central Bank of Jordan (CBJ) is the banking system's regulatory authority. Jordanian banks are beginning to recover from an economic slow-down beginning in 1996, and the CBJ estimates that non-performing loans total at little less than 20 percent of all loans.

A banking law, which aims at improving the industry's efficiency, came into force in 2000. The new law protects depositors' interests, diminishes money market risk, guards against the concentration of lending, and includes articles on new banking practices (e-commerce and e-banking) and money laundering. The CBJ has issued a number of circulars throughout the past year to implement money-laundering regulations that are consistent with the recommendations of the OECD's Financial Action Task Force, and has recently drafted a law to codify these regulations. It also allows market forces greater influence to encourage the development of financial markets. In addition, the CBJ set up a separate and independent deposit insurance corporation in late 2000 that ensures deposits of up to JD 10,000 ($ 14,000). The corporation also acts as the liquidator of banks as directed by the CBJ.

The CBJ established a credit bureau for bounced checks in 2001. The bureau requires banks to report on a timely basis the names of account holders with bounced checks. Following a third report of a bounced check, the CBJ circulates the names of the account holders to all banks with instructions to withhold check-books and any other facilities for a certain period of time.

As of the end of 2003, the Arab Bank and the Housing Bank were the two largest banks in Jordan, with total assets of JD 17.4 billion (USD 24.5 billion) and JD 1.8 billion (USD 2.5 billion), respectively. The difference between their asset bases owes to the vast difference in their scope of operations; the Arab Bank has a worldwide presence, while the Housing Bank's prime focus is the local market. Although the Central Bank distinguishes between "investment banks" and "commercial banks", there are no significant differences in the operations of the two.

Banks offer loans, discounted bills, and overdraft facilities. Investment banks are not permitted to extend overdraft facilities. The Central Bank permits banks to extend loans and credit facilities in foreign currency. In such cases, it requires debt repayment to be in foreign currency.

A number of banks have established mutual funds. New capital instruments such as commercial paper and convertible bonds are under consideration. In addition to long-term instruments, securitization, short-selling, and treasury stocks are being introduced in some banks.

A banking scandal that reportedly involved fraudulent activity and embezzlement of around $120 million emerged in February 2002 and involved some prominent Jordanians and loans drawn from three banks. However, the Central Bank took adequate action to reassure depositors and restore calm to the market. In addition, the sector did not suffer any significant shocks during the 2003 war in Iraq either due to significant exposure to trade with Iraq or to runs on bank deposits at the outbreak of the conflict. As a result, the health of the banking system and its resilience are not in question. Iraqi Government assets in Jordanian banks were frozen in early 2003.

With respect to ownership and participation in the major economic sectors in Jordan, there is no apparent discrimination against foreign participation. In fact, many Jordanian businesses seek foreign partners, which are perceived as the key to increased competitiveness and easier entry into international markets. There are a number of internationally recognized accounting and auditing firms in Jordan. The government's accounting and auditing regulations are consistent with international standards and are internationally recognized.

Political Violence

Some incidents of political violence and terrorist activities have occurred in Jordan recently, though these have not directly affected foreign business interests. While Jordan enjoys political stability, events in the region, particularly in the West Bank and Gaza, can trigger small demonstrations and anti - US hostility. The government of Jordan is proactive in maintaining public security, containing demonstrations and preventing terrorist attacks. The potential for politically motivated violence, however, remains. Visitors should consult current State Department public announcements.

Corruption

Corruption is a crime in Jordan. The General Intelligence Directorate (GID) has an anti-corruption department that is responsible for combating bribery, extortion, and other similar crimes.

Influence peddling and a lack of transparency have been alleged in government procurement and dispute settlement. “Wasta”, the use of family, business, and other personal connections to advance personal business interests, is endemic.

Bilateral Trade/Investment Agreements

A free trade agreement (FTA) between the U.S. and Jordan entered into force in December 2001. The agreement mandates that a free trade area between the two countries will be attained following a gradual phasing out of import duties and other trade barriers over ten years. The agreement incorporates labor, environmental, and intellectual property rights provisions.

A Bilateral Investment Treaty between Jordan and the United States entered into force in 2003. The agreement provides reciprocal protection of Jordanian and U.S. individual and corporate investments. Jordan is a member of a pan-Arab accord on facilitating the movement of capital between Arab countries. Countries that have signed the accord include Jordan, UAE, Bahrain, Tunisia, Saudi Arabia, Iraq, Oman, Kuwait, Libya, Egypt, Morocco, Qatar, Syria, and Lebanon.

An economic association agreement between Jordan and the European Union that establishes free trade over a twelve-year period entered into force in 2002. This agreement calls for the free movement of capital, as well as cooperation on development and political issues.

Jordan recently signed a Free Trade Agreement with Singapore.

OPIC and other Investment Insurance Programs

Investments in Jordan are eligible for Overseas Private Investment Corporation (OPIC) insurance and private financing.

Jordan is also a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank Agency, which guarantees investment against non-commercial risks such as civil war, nationalization, policy changes, etc. The program covers investments in Jordan irrespective of the investor's nationality, in addition to covering Jordanian investments abroad.

Several European countries have official debt-for-equity swap programs that are open to investors of all nationalities.

<u>Labor</u>
The rate of population growth (births minus deaths) is about 2.8 percent a year. 50% of the population is under the age of 20. In general, the labor force is well educated. Literacy rates approach 94.5 percent for men and 83.5 percent for women. Jordan has a labor force of 1.17 million and an unemployment rate of approximiately 15 percent.

The officially estimated 140,000 foreign laborers in Jordan work primarily in unskilled sectors, such as construction, agriculture, and domestic service. They constitute around 12 percent of the labor force. The Ministry of Labor regulates foreign worker licensing, licensing fees, prohibited sectors, and employer liability. Among its responsibilites, the ministry approves the hiring of professional foreign workers by private businesses. Non-citizens are not permitted by law to join unions.

Labor unions serve primarily as intermediaries between workers and the Ministry of Labor, and may engage in collective bargaining on behalf of workers. In order to strike, workers must obtain permission from the government. Currently, about 30 percent of the total labor force, including government service, is unionized. However, this figure includes numerous professional associations where membership is mandatory.

Article 28 of the Labor Law specifies the conditions under which an employer can discharge a worker without notice. Article 31 allows employers to lay off employees if economic or technical circumstances necessitate reorganization. The law does not require employers to include retirement plans in their employment package. However, if the employer agreed to provide retirement benefits when the worker was contracted, the employer must fulfill his/her commitment. The Social Security Law stipulates that if the employer has more than five employees, they must be enrolled in the social security system. The Labor Law also addresses worker compensation and outlines compensatory categories for work-related injuries. Article 67 provides unpaid maternity leave for a maximum of one year for mothers working in firms employing 10 or more workers, and article 70 requires full pay for 10 weeks of maternity leave. The law provides for 14 days of annual leave for employees during the first five years with the employer, and 21 days after five years of successive service. This law places Jordan in compliance with international and Arab labor agreements.

<u>Foreign Trade Zones/Free Ports</u>
The Zarqa Free Zone is Jordan's major free zone area. Other areas include the Sahab Industrial Estate Free Zone, Queen Alia International Airport Free Zone, and the Gateway Qualifying Industrial Zone.
In May 2001, the government converted the Aqaba port and surrounding area into a special economic zone (SEZ) with streamlined buraeucracy, lower taxes, and facilitated customs handling.
Both Jordanian and foreign investors are permitted to invest in trade, services, and industrial projects in free zones. Industrial projects must fulfill one of the following conditions:

- New industries which depend on advanced technology
- Industries requiring raw material and/or locally manufactured parts that are locally available

- Industries that complement domestic industries
- Industries that enhance labor skills and promote technical know-how
- Industries providing consumer goods, and that contribute to reducing market dependency on imported goods

The following incentives are granted to investors in the designated free zones:

- Profits are exempt from income and social services taxes for a period of twelve years, with the exception of profits generated from storage services that involve goods released to the domestic market.
- Salaries and allowances payable non-Jordanian employees are exempt from income and social services taxes.
- Goods imported to and/or exported from free zones are exempt from import taxes and customs duties, with the exception of goods released to the domestic market.
- Industrial goods manufactured in free zones enjoy partial customs duties exemption once released to the domestic market, depending on the proportion of the value of local inputs and locally incurred production costs.
- Construction projects are exempt from licensing fees and urban property taxes.
- Free transfer of capital invested in free zones, including profits.

Qualifying Industrial Zones (QIZ)

Approved goods produced in a “Qualifying Industrial Zone” (QIZ) can be imported into the United States free of duty if they involve economic cooperation between Jordan and Israel, and if 35 percent of the product’s content comes from the QIZ, Israel, and/or the West Bank/Gaza. This makes investment in a QIZ particularly attractive to industries whose products are assessed with high tariffs when they are imported into the U.S. There are currently 12 QIZs, three of which are publicly owned and the remaining nine are privately owned. As of June 2004, the bulk of QIZ exporters have been concentrating on textile and garment exports. Since 1999, the QIZs have attracted $248 million in capital investments, generated over $1.3 billion in exports to the U.S., and created over 35,000 new jobs.

Foreign Direct Investment Statistics

Official statistics on foreign direct investment (FDI) are not publicly available.

The UNCTAD’s world development report 2001 estimates FDI inflows into Jordan at (USD million): 158, 300 and 350 for 1999, 2000, and 2001 respectively. The amount and value of registered foreign capital is the closest available indicator for a more detailed analysis of FDI.

The following statistics should be interpreted as indicating trends rather than exact figures. Note that figures may differ from previous years due to revisions in the data series.

Total Registered Capital by Economic Sector
('000 Jordanian Dinars at year end) (1 JD= USD 1.41)

Sector	2001		2002		2003	
Total	6,825,434		6,990,337		7,162,959	
foreign	2,227,242	33%	2,269,430	32%	2,318,591	32%
Industry	797,389		806,678		820,807	
foreign	208,592	26%	210,605	26%	214,018	26%
Trade	1,680,505		1,705,887		1,750,215	
foreign	612,661	36%	620,101	36%	643,587	37%
Agriculture	38,833		39,445		39,583	
foreign	19,697	51%	19,859	50%	19,859	50%
Construction	235,750		242,230		246,990	
foreign	3,776	2%	3,776	2%	4,009	2%
Services	1,795,001		1,827,471		1,862,314	
foreign	859,791	48%	868,229	48%	873,011	47%
Others	2,277,955		2,368,626		2,443,051	
foreign	546,859	23%	546,859	23%	564,107	23%

(The Percentage figure reflects the size of Foreign Capital to Total Capital)
(Data Excludes Capital of Public Shareholding Companies)(Source: Ministry of Industry and Trade)

Annual Registered Capital Inflows by Economic Sector ('000 Jordanian Dinars)

Sector	2001		2002		2003	
Total	205,314		164,903		172,622	
foreign	54,202	26%	42,188	26%	49,162	28%
Industry	10,886		9,289		14,129	
foreign	2,575	24%	2,013	22%	3,413	24%
Trade	67,001		25,382		44,327	
foreign	18,847	28%	7,440	29%	23,486	53%
Agriculture	137		612		138	
foreign	85	62%	162	27%	-	0%
Construction	5,276		6,480		4,760	
foreign	14	0%	-	0%	233	5%
Services	19,778		32,470		34,843	
foreign	2,892	15%	8,438	26%	4,782	14%
Others	102,235		90,670		74,425	
foreign	53,925	53%	-	0%	17,248	23%

(The Percentage Figure Reflects the Size of Foreign Capital to Total Capital)
(Source: Ministry of Industry and Trade)

According to these measurements, FDI Stock and FDI Inflows as a percentage of GDP at current market prices are:

	2,001	**2,002**	**2,003**
GDP (JD's)	6,310,500	6,652,900	6,991,000
FDI Stock	35%	34%	33%
FDI Inflows	1%	1%	1%

Total Foreign Registered Capital by Country of Origin
('000 Jordanian Dinars)

County	**2001**	**2002**	**2003**
Denmark	333,553	333,623	333,635
Saudi Arabia	226,319	228,869	231,154
Iraq	166,548	171,065	181,297
Kuwait	132,139	132,259	132,359
Syria	108,744	110,860	112,829
United Arab Emirates	103,090	103,310	108,560
Egypt	64,020	66,250	68,662
USA	58,254	59,187	59,755
UK	45,532	46,023	47,406
Libya	43,495	43,645	43,845

(Source: Ministry of Industry and Trade)

Please Note: Country Commercial Guides are available to U.S. exporters on the website: **http://www.export.gov**. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Jordan and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in Jordan at **www.buyusa.gov/jordan**

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at **www.state.gov**

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: **www.usatrade.gov** or **www.tradeinfo.doc.gov**